

**UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
REGION 7**

11201 Renner Boulevard
Lenexa, Kansas 66219



SEP 24 2018

CERTIFIED MAIL

RETURN RECEIPT REQUESTED

Article Number: 7014 1200 0000 6121 4337

Mr. Brian Calhoun
SSW Holding Company, Inc,
176 Colon Road
Clearwater, Michigan 49036

RE: Draft Cost Estimate for the Collis, Inc. Facility,
2005 South 19th Street
Clinton, Iowa 52732
EPA ID # IAD047303771

RCRA 9/24/2018



576524

Dear Mr. Calhoun:

The U.S. Environmental Protection Agency Region 7 is in receipt of and has reviewed the Collis Draft Cost Estimate with Trend Analysis. Based on our review of this information, the EPA is requiring revision to the Draft Cost Estimate based on our enclosed comments.

The Draft Cost Estimate includes abandonment of approximately 24 wells in the first year. This is contradictory to the Collis, Inc. – Corrective Measures Study FINAL CMI - LTM Groundwater Monitoring Work Plan. The EPA considers it premature to assume that the wells could be abandoned as described. More appropriately, Collis can perform an assessment in Year 5 and make a recommendation, with appropriate documentation, as to whether it is appropriate to abandon any wells.

Please revise the draft cost estimate and resubmit within 30 days receipt of this letter.

If you have any questions regarding this letter or enclosed comments, please contact me at (913) 551-7662 or by email at stone.andrear@epa.gov.

Sincerely,

A handwritten signature in cursive script that reads "Andrea R. Stone".

Andrea R. Stone
Project Manager
RCRA Corrective Action and Permits Section
Waste Remediation and Permitting Branch
Air and Waste Management Division

Enclosure

cc: Amie Davidson, IDNR
Cindy Lang, BB&E

ENCLOSURE

COST ESTIMATE REVIEW

1. Organization of the Cost Estimate

There is a lack of detail and explanation in the Cost Estimate that makes it hard to verify that all activities and quantities for the work requirements have been captured. The plans associated with the cost estimate are spread across several documents and numerous line items have been lumped together without clear rationale.

2. Details - Derivation and Documentation

Although the regulatory language at 40 CFR §§ 264.142 and 264.144 does not specifically define the term “detailed written estimate”, the preamble language of the 1986 revisions states that “the cost estimates must contain sufficient detail to allow them to be evaluated.”

In this CE, lump sums have been provided for certain activities with no explanation or reference for the source. For these line items, it is unclear if the required activities and quantities have been included. Additionally, little information has been provided regarding work rates, labor inputs or unit pricing. The cover letter indicates that the sampling and reporting costs presented in the CE are based on actual costs incurred to conduct monitoring from 2015-2017. However, no supporting documentation was reviewed or submitted. This information should be provided.

3. Unit Pricing and Documentation

Some specific observations related to unit pricing and documentation in this CE include:

- The preparer indicates that the sampling and analysis costs are said to be based on actual costs incurred to conduct groundwater monitoring and reporting in years 2015-2017. These actual contracts or invoices have not been provided or reviewed in support of these numbers. To substantiate such numbers the contracts should be provided. Additionally, if the contract rates were in previous years they should be inflated accordingly.
- The extremely limited detail provided in the cost estimate does not adequately explain the activities that are being included or the assumptions used in the calculations.
- The amount/quantity of labor included in the semi-annual sampling and reporting appears low. The total labor hours included is 132 hours annually. Some of these differences may be attributed to the CE line item Reporting-LTM (Semi-Annual Report), or the apparent analysis costs lumping in associated labor. However, that is unclear.

The Long-Term Work Plan (Appendix H) (LTM Plan) to the CMS states that the “Static water levels will continue to be collected from thirty-nine monitoring wells/piezometers listed in Table 1.” The surface water elevation relevant to site groundwater elevations will be evaluated by measurement of groundwater elevations on both the north and south sides of the ditch, and a determination of whether shallow groundwater from the site is discharging to the ditch will be made. Field Parameter collection, Decontamination of Equipment; Investigation-Derived Waste management, and LTS Groundwater Monitoring Reports are also discussed in the CMS; The costs associated with the collection of this data, decon, and IDW management, appears to have been omitted from the CE.

- The Implementation Costs Section of the CE includes costs for monitoring well abandonment in year 1. It appears that Collis is proposing to abandon approximately 24 wells that were not

proposed as an integral part of the LTM Plan in year 1. This abandonment appears to be in contradiction to the statement made in the LTM Plan.

- The semi-annual inspection of the cap and reports, discussed in Appendix G of the CMS, have been lumped together and provided a \$2,000 annual cost. This may be feasible if this work was being conducted in-house, however, the regulations require that the costs be for a third party completing the activities. If the cost estimate is based on contracted rates then supporting documentation should be provided. Otherwise a more detailed cost estimate for this work should be provided.
- The lump sum estimated costs provided in Section D all appear low and are unsubstantiated.
- The annual cost of maintenance of the gravel lot is estimated by Collis to be \$2,500. Collis did not include activities such as Gravel Delivery and Dumping/Unloading; Grading of the new Gravel and cover; Compaction of the gravel or any other activities associated with maintenance of the gravel cover. The EPA's RACER estimation of the installation of the gravel lot costs \$149,016 or \$264,513, with mark-ups and inflation. Operation and Maintenance costs of the gravel lot could be estimated as a percentage of the initial cost or broken down by specific activities. The Collis CE provided a lump sum of approximately 1%, with no explanation. Given that the cap is in use as a parking lot/drive way it is likely that maintenance cost will be higher, than if it was not in use. Gravel parking lots when considered as a capital asset have a 10- to 15-year life expectancy. This life expectancy does not necessarily translate to cost estimating but is frequently used for depreciation calculations and budgetary planning. The costs should include 10% annually for cap maintenance which could be used for replacement in the event of failure.
- The CE does not include any fence maintenance or mowing which are typically included in all corrective action CEs. The cost of fence repair at 10% of the estimated installation cost per year. Mowing costs should also be at 10% of the estimated cost per year.

4. Application of Indirect Costs

The element of cost estimates which provides for site-wide third-party contractor costs which cannot be allocated to any one specific direct cost activity may be referred to by many terms: administrative costs; project indirect costs; engineering costs; or site overhead costs. These accounting pools are intended to include third-party costs for:

- mobilization
- subcontract procurement and management
- project inspection and engineering
- project facilities (trailers, fencing, portable toilets, and utilities)
- Investigation-derived waste handling and disposal
- Personal protection equipment usage and disposal
- site security
- worker travel and per diem
- permits (or measures taken to be in compliance with permits)
- work plans
- interest, insurance, bonds and taxes
- project reporting
- contractor general and administrative or corporate overhead
- contractor profit

In this instance, indirect costs may have been included among the direct costs. However, the direct costs do not appear to include indirect costs, if they have been included it appears to be in an extremely limited fashion. Please provide documentation whether indirect costs have been accounted for in the CE.

5. Application of Cost Contingencies

Although cost estimates may capture the costs of corrective action activities, there may be circumstances which may arise beyond the anticipated activities, such as increased sampling and analysis due to apparent contamination from closed units or from significant deterioration of a capped area.

In this CE, no contingency has been applied to the estimated costs.

As outlined in OSWER Directive 9476.00-6 (November 1986), a meaningful contingency cost factor between 10% and 30% could be added to the sum of the direct and indirect costs in all cost estimates. The Directive goes on to state that contingency at sites with known soil contamination can be as high as 200%. In this instance the EPA would recommend a contingency of 15-20% be added to the direct and indirect costs in a revised detailed estimate.

6. Post-Closure Care & Corrective Actions - General Comments and Details

Many of the post-closure care/corrective action CEs include the costs of routine items listed below as “lump sum” line items. This is not specific to the Collis CE, but is intended to provide assistance in obtaining a better CE in the future. Some details which would be helpful to the EPA include:

a. Inspections

- Frequency of inspections (no. of events per year)
- Number of personnel required to perform the inspections
- Length of time required per event (SF/hour or acres/hour, for example)
- Provision for travel time and travel-related costs
- Documented unit pricing

b. Maintenance and Repairs

- Area of cap
- Frequency of cap mowing, grassing, repairing cover, erosion
- Expected annual area to be repaired – or quantities of soil, clay, liner, etc. to be used
- Documented unit pricing

c. GW monitoring (sampling and analysis)

- Number of wells (including average depth, diameter, and construction material)
- Frequency of inspections
- Expected quantity of well replacement (annual percentage or no. of vertical feet)
- Documented unit pricing

d. Sampling & Analysis

It is recommended that some effort to differentiate between sampling efforts and analytical costs be provided. *Some helpful details for this work might include:*

- Number of wells to be sampled
- Frequency of sampling
- Number of personnel required for the sampling
- Length of time required per sample

Travel time and costs
Analytical methods – types and number
Reporting requirements
Documented unit pricing

e. Operations & maintenance (O&M)

For those facilities where some form of active post-closure care treatment is occurring, or for long-term corrective actions, suggested *cost details might include*:

Quantities being treated (gallons, tons, etc.)
Processing rates (gals/day, tons/hour, etc.)
Energy requirements (kilowatt hours, for instance)
Quantities of treatment materials (additives)
Labor inputs
Disposal requirements
Sampling and analysis (see item (d) above)
Documented unit pricing

7. Costs Over Time

Collis has applied an inflation factor to the estimated out-year costs, and conducted a net present value analysis which discounted the out-year costs. The cost estimate should use an inflation factor of 1.0245 which is derived from the most recent Implicit Price Deflator for Gross National Product published by the U.S. Department of Commerce in its *Survey of Current Business* per 40 CFR § 264.142(b).

The RCRA regulations on financial assurance do not allow for discounting for RCRA Subtitle C closure or post-closure care. However, given that this is a corrective action site, the EPA is willing to be flexible and allow a discount rate in this case. The EPA's chosen discount rate is typically in line with the "Daily Treasury Yield Curve Rates" found on the U.S. Department of the Treasury website. Collis may use this rate or the actual interest rate of their Trust Agreement. Regardless of which discount rate is chosen, Collis must submit a justification with documentation as to why it has chosen a particular rate. Before a discount rate may be applied, however, as mentioned above, the CE would have to be more detailed and better documented.

CONCLUSION

In conclusion, the breakdown of direct and indirect costs is not detailed enough in the CE. Further, there is not enough documentation to determine the adequacy of the total. There are several times required in the LTM Plans (described in Section 3, third bulleted item) that have no corresponding costs in the CE. Finally, no contingency factor has been applied. The CE needs to be revised to include additional detail and a healthy contingency factor prior to acceptance. At that point discounting could be considered.

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Mr. Brian Calhoun
SSW Holding Company, Inc.
176 West Colon Road
Coldwater, MI 49036

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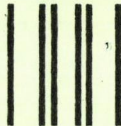
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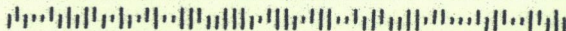
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